

Healthy loan growth seen for CIMB

Lender also likely to record widening net interest margin

FINANCE

KUALA LUMPUR: CIMB Group Holdings Bhd is expected to see healthy loan growth with widening net interest margin (NIM).

The bank is also expected to record stable asset quality and controlled costs, according to RHB Investment Bank.

CIMB recently updated analysts ahead of its upcoming second quarter results which would be released on Aug 30.

“Management expects the overnight policy rate (OPR) to normalise to pre-pandemic levels. With the increase expected to be gradual, management believes borrowers will have sufficient runway to adjust to the higher interest rates,” RHB said in its report.

“There is no discernible impact from the OPR hikes for now, but management is cautious and expects some impact on demand and asset quality from the fourth quarter of this year to the first quarter of 2023,” the research house added.

“CIMB continues to see lending opportunities in residential mortgages, auto financing and business banking.”

RHB Investment Bank

RHB said the underlying demand for loans is healthy, supported by the reopening of borders in Malaysia, Indonesia and Thailand.

“CIMB continues to see lending opportunities in residential mortgages, auto financing and business banking,” it noted.

Meanwhile, Hong Leong Investment Bank Research (HLIB) noted that CIMB aimed to maintain as many pre-emptive provisions as possible instead of running it down, given macro headwinds.

HLIB also said there would be an increase

for macroeconomic variable provisioning in the second quarter, but this is expected to be offset by some consumption of management overlay at its business banking segment.

“Sequential NIM should expand, thanks to May’s OPR hike. Besides, local cost of funds should hold fairly steady due to rational deposit competition,” HLIB said.

The research house also said CIMB’s second quarter loan growth momentum was robust and that the possible slowdown effect due to OPR increases had not surfaced.

HLIB is keeping its forecasts for CIMB unchanged as underlying operational trends in the second quarter have been performing according to expectations.

It retained its “hold” call and a Gordon growth model-based target price of RM5.65, based on a 0.90-times forecast for the financial year 2023’s price-to-book ratio.

Meanwhile, UOB Kay Hian Research (UOBKH) said CIMB’s overall take-up rate for loans under targeted assistance has declined from 5% as at end-May 22 to 4% compared with an average of 3% during pre-pandemic times.

“Borrowers have missed payments tracking at 3% to 4% of loans under repayment assistance. This was largely driven by the improvement in the level of repayment assistance from its Malaysian consumer portfolio which declined from 4% to 2%,” UOBKH Research said.

It also noted that CIMB’s management had also alluded that gross impaired loans ratio remains fairly benign, even as the loan moratorium continues to unwind.